

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

12-2493.0

1649-FN-A-LOCAL, *relative to collection of the education property tax and establishing a program to rebate certain excessive property tax payments to eligible taxpayers.*

House Special Committee on Education Funding Reform Committee

This law could be administered by the Department of Revenue Administration, but with a significant increase in Department personnel and operational costs. Under this bill, the Department would be responsible for collecting an additional 1,270,000 tax payments. As such, an estimate of an additional \$3,000,000 in cost is attached to this bill for administration purposes. Please note, the cost of creating a new division within the Department or expanding the current Property Appraisal Division could exceed \$3,000,000. In addition, the estimated cost for the IT Department staff and equipment would be \$2,417,500.

The Department would also need to use the Statewide GIS computer system to implement this tax and that may cause a timing problem with the implementation of the administration of this tax by the Department. This is due to the fact that the GIS system is still being constructed and would have to be modified to allow for the receipt of all pertinent tax bill information. A new collection system would have to be developed in order to handle over one million documents.

The Department estimates the cost of this bill (\$19,415,000) less L&M repeal gain (\$3,300,000) to equal a net loss of income for the State in the amount of \$16,115,000 each year. See the attached spreadsheet for the details of the \$16,115,000 costs contained in this bill.

The estimate of \$13,000,000 for the reimbursement of claims made in the proposed Education Property Tax Relief Program is based upon a sampling done by the Property Appraisal Division of the Department. See Items #3 and #4 on attached spreadsheet. The repeal of the existing Low and Moderate Income Homeowners Property Tax Relief Program (L&M) under RSA ch. 198 would reduce this loss by \$3,300,000 based upon the 2009 Claim Year rebates granted and shown in the Department's 2010 Annual Report.

The Department notes that RSA 76:3 requires raising \$363,000,000 through the Education Property Tax each year, but the mandates included in this bill would reduce the net amount collected.

There appear to be several conflicts concerning timing of when information might be received and when bills might be issued. Please see the specific details of these issues below:

- Several times “the local portion of the education property tax” is mentioned in this bill versus the “state portion of the education property tax.” No such distinction is made under RSA ch. 76. These phrases could cause this law to be invalid.

- Page 1, line 20 and 22 - selectmen are not authorized to conduct tax collectors' duties under RSA 80. This could create conflicts at the local level, particularly if the tax collector is elected.
- Page 1, line 27 - RSA 80:26 tax sale provision – no towns follow tax sale process anymore and the tax lien process is not mentioned.
- Page 1, line 26 - does the Department have the ability to lien under RSA 80:58-86 for state tax? If so, who has the priority lien, the town or the Department?
- Page 2, line 1 - interest rate for delinquent property tax is established in RSA 76:13 and 18% under RSA 80:69 for liens. Not clear whether this is for state tax portion only.
- Page 3, line 25 - does not indicate which year of equalized valuation is used. Some laws say "the most recent" or the "current."
- Page 5, line 6 - claims are to be filed by March 1. This is prior to final property tax billing date of March 31. Potential for confusion on which tax year to file for.
- Page 5, line 17 - adjust May 15 date accordingly with line 9 date change.

Conflicts

- Page 1, lines 10 & 11 – the Department must determine "the state portion of the education tax owed by each taxpayer under this section", yet page 1, line 18 says the Department pays town \$.50 for each bill sent out by town for the "local portion of the education property tax."
- Page 5, line 2 - claimant files with the Department of Education, yet in line 10 the Department reimburses town for relief granted.
- Page 3, line 22 - Definition for "education property taxes" is inconsistent with page 4, line 35 definition of "education property tax."